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SUBJECT: ITALY: UDC WITHDRAWS ITS MINISTERS FROM GOVERNMENT, BUT NO ELECTIONS BEFORE 2006

Classified By: POL-MIL COUNSELOR JONATHAN COHEN, REASONS 1.5 (D).

1. (SBU) SUMMARY: The centrist Union of Christian Democrats of the Center (UDC) announced on April 15 that it would withdraw its ministers from the Berlusconi Government. UDC leader Marco Follini assured the Government that his party would continue to support the majority from outside the coalition. It is unclear whether this move will prompt a "Berlusconi Bis" -- a resignation of the current Government so that it would, essentially, replace itself. Available contacts on both left and right, however, joined in predicting that national elections will still not be held before 2006; neither center-right, center-left nor the Italian political and budget cycle are ready for them earlier. The final shape of what we expect to be the ongoing Berlusconi Government may not be clear for several days. END SUMMARY.

2. (U) Following an April 15 leadership meeting, former governing coalition partner UDC announced it would withdraw its ministers from the Berlusconi Government. UDC, one of the two smaller partners in the governing coalition, has three ministers -- Rocco Buttiglione (EU Policies), Carlo Amedeo Giovannardi (Relations with Parliament), and Mario Baccini (Public Administration). UDC holds 31 seats in the Chamber of Deputies and 35 in the Senate; were the party to withdraw its parliamentary support, the governing coalition would lose its majority in both chambers. However, UDC leader (former DPM) Marco Follini assured the Government of his party's "loyal support" in Parliament. UDC has the duty to make sure the majority continues to govern, Follini said. UDC would support, for example, the Government's draft law to improve economic competitiveness, even on a confidence vote. UDC proposed "a new government of the House of Freedoms (the governing coalition), presided by Silvio Berlusconi."

3. (SBU) Tiny coalition supporter Italy's New Socialist Party (PSI), the vehicle for former Foreign Minister Gianni De Michelis, also announced its withdrawal from the coalition. PSI has no ministers (one deputy minister and one under secretary) and six seats in the Chamber of Deputies. Its withdrawal is not significant.

4. (C) In the wake of the governing coalition's disastrous results in April 3-4 regional voting, FM Fini's National Alliance (AN) and UDC are pursuing different strategies, but have similar goals. Both parties want a new focus in the Government's program. While 2004 electoral wrangling seemed more focused on positions than policy, today's intra-coalition debate is about programs. As Fini told the press, AN wants the Government to say concretely what it will do to help Italy's South (Mezzogiorno), to protect family incomes, and to spur competitiveness. The UDC leadership's statement announcing the withdrawal of its ministers echoed those demands. While both leading coalition partner Forza Italia (FI) and the Northern League (Lega) have their voter base in the north, AN and UDC have national constituencies, relatively stronger in the south. Their electorates include significant percentages, probably majorities, of voters who expect state services, state income support, and a more populist approach to governing.

5. (C) In the wake of UDC's withdrawal, the Government will have to seek some form of Parliamentary approval by confidence vote, but opinions are divided as to whether this will necessitate a reconstituted government -- the "Berlusconi Bis" the Prime Minister wants to avoid. (Berlusconi sees within his grasp the historical prize of being Italy's first Prime Minister to complete a full term.) President Ciampi plays a large role. Under Italy's Constitution, he must countersign the appointment of any minister, and Berlusconi will have to replace the three UDC ministers who submitted their resignations. While Ciampi does not have constitutional power to impose a change in ministers or to demand that the ministers be approved by Parliament, he has public influence. He could, and we think it likely that he will, ask Berlusconi to have his new team approved by Parliament. Presuming UDC keeps its word that it will support the Government on confidence measures, and that AN and the League hold fast, a vote, whether on ministers or a program, should not threaten the Government.

6. (C) Ciampi could also ask Berlusconi to resign, but could not legally insist that the PM do so. (COMMENT: We

note, however, that President Scalfaro forced Berlusconi's 1994 resignation by going on television to make his demand public. This seems less Ciampi's style, but cannot be completely ruled out. END COMMENT.) Berlusconi began the week saying adamantly that there would be no "Berlusconi Bis." Today, he replied to press questions with a more equivocal "We'll see." With expected bravura, however, he

added, "You won't get rid of me easily." A contact in the Prime Minister's Diplomatic Adviser's office predicted that the Government would be forced to regroup, going into a Berlusconi Bis. (This would still leave him the not-insignificant title of being the longest-serving prime minister in Italy's post-World War II history.)

17. (C) Long-range political positioning guides partisan maneuvering. AN faction leader (and Agricultural Minister) Alemanno suggested this week that the coalition should run a "ticket" in 2006 elections featuring Berlusconi for President of the Republic and Fini for Prime Minister. (Note: This is not actually possible under the Italian voting system.) His after-thought addition that Chamber of Deputies President Pier Ferdinando Casini (who considers himself the best choice for either slot) might also be a candidate for PM did little to mollify UDC. UDC considers itself the rightful leader of a new "grand center alliance," but the numbers give AN greater political weight. Thus, whether or not they are battling head to head, much of the current maneuvering is aimed at positioning Casini and Fini for a post-Berlusconi role, whether the next era comes sooner (with a debilitated Berlusconi being forced to resign) or later (after a triumphant Berlusconi concludes a second term).

18. (C) COMMENT: It is unclear exactly what the Italian Government will look like one week from now, but we think it will still be led by the current Prime Minister. And while we are slightly less sanguine than we were a week ago in predicting that the next national elections will be in 2006, that is still our best bet. Neither the center-left nor the center-right is ready for elections now; summer means vacations, not elections; and fall elections are unheard of in Italy due to the requirement to approve a budget by year-end. Both Senate President Pera (FI) and Senator Lamberto Dini (leader of his own minuscule center-left party, Italian Renewal) were with the Ambassador at a Fulbright ceremony when news of UDC's withdrawal reached Pera's press spokesperson by SMS, and both agreed with these premises.

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